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Lesley Ramsey
Transmission Network Service – Floor A1
National Grid House
Warwick Technology Park
Gallows Hill, Warwick
CV34 6DA

30th August 2013

Dear Lesley,

Re: Consultation on “The NTS Entry Capacity Substitution Methodology Statement” issued 2nd August 2013

Thank you for the opportunity to respond to this consultation. As adjacent Transmission System Operators, the availability of capacity in both of our systems is of utmost importance to ensure the free flow of gas within the single market for Energy.

We believe it is wrong to assume 740.8 GWh/day of NTS entry capacity can be substituted away from the NGG Bacton terminal as at 01/10/17¹. The European Capacity Allocation Mechanisms Network Code will require, from November 2015, IUK’s Bacton entry/exit capacity to be sold as bundled products combined with National Grid’s Bacton entry/exit capacity. Separately, BBL’s Bacton capacity will also need to be bundled with National Grid’s. The new rules will require the technical capacity to be maximised on each side of the interconnection point (IP). This means, 807 GWh/day of IUK exit/NTS entry capacity will be required for the IUK/National Grid bundled product and in total 1301 GWh/day of NTS entry capacity will be required to match both BBL and IUK’s capacity.

Given that all firm capacity must be bundled at IPs under the new European rules, we are keen to ensure that capacities either side of the IUK/NGG Bacton IP will be matched. Substituting National Grid’s NTS entry capacity away from Bacton may reduce the amount of capacity available to be matched with IUK. The resulting residual IUK capacity would be less

¹ As outlined on p23 of the National Grid Entry Capacity Substitution Methodology Statement consultation draft version 4.1: <http://www.nationalgrid.com/NR/rdonlyres/78B7E92C-9414-4C21-B52E-C2D8B8C4EA83/61789/02AugECSFinalClean.pdf>.

attractive to the market. This could also have a potentially detrimental impact to GB security of supply as the sterilised capacity may not be maintained as available for GB supply.

With the Interconnectors alone capable of using 73% of Bacton baseline entry capacity plus sizable UKCS production flows into Bacton, any substitution of capacity away from Bacton would have a detrimental impact on GB security of supply. Alternative supply sources may be unable to deliver gas into GB. Substituting capacity away from Bacton simply dilutes the ability of shippers to use existing supply sources such as BBL, IUK and UKCS to supply the GB market.

We therefore believe it is important that the approach to NTS entry capacity substitution is consistent with the NTS exit capacity substitution methodology which correctly recognises NGG's obligations under the security of supply regulation and also third package requirements in terms of making maximum capacity available cross border. Under this approach, as a minimum, the interconnector capacity would be protected from any substitution.

If you have any questions about our response please do not hesitate to contact me. We look forward to seeing the final methodology statement.

Yours sincerely

Pavanjit S Dhesi

Senior Regulatory Economist